

Message Text

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C O N F I D E N T I A L BUCHAREST 6358

LIMDIS

FOR SECRETARY RICHARDSON

E.O. 11652: GDS

TAGS: EEWT, ETRD, RO

SUBJ: YOUR VISIT TO ROMANIA: THE ROMCONTROL DATA PROBLEM

1. FROM ART DOWNEY'S VISIT HERE AND FROM EARLIER ROMANIAN REPRESENTATIONS MADE AT PRESIDENT CEAUCESCU'S INSTRUCTIONS, I HAVE NO DOUBT THAT THE CENTRAL PROBLEM THE ROMANIANS WILL RAISE WITH YOU DURING YOUR VISIT HERE WILL BE THE FUTU
E OF
ROMCONTROL DATA, THE SOLE JOINT VENTURE HERE WITH AN AMERICAN FIRM (CDC).

2. DURING OUR SEPTEMBER 7 DISCUSSION, WE TALKED ABOUT EXPORT CONTROL PROBLEMS. NOW, AS ART WILL HAVE ADVISED YOU, THE SINGLE MOST IMPORTANT PROBLEM IN THAT AREA HINGES ON OUR CONTINUED DIFFICULTY IN APPROVING AN EXPORT LICENSE APPLICATION FOR THE ASSEMBLY AND SUBSEQUENT PARTIAL PRODUCTION IN ROMANIA BY THE JOINT VENTURE OF A CDC DISC DRIVE. THE INTEGRATION OF THIS PRODUCT INTO ROMCONTROLDATA'S PRODUCTION PROGRAM, A FUNDAMENTAL CHAGE IN THE ORIGINAL PLANS MADE BY CDC WITHOUT PRIOR CONSULTATION ON THE EXPORT LICENSE QUESTION, IS CRUCUAL TO THE ECONOMIC VIABILITY OF THE VENTURE. IT IS CLAIMED IN FACT THAT UNLESS APPROVAL OF THE LICENSE APPLICATION IS FORTHCOMING SHORTLY, THE JOINT VENTURE WILL HAVE TO CEASE OPERATIONS BY NEXT SPRING FOR LACK OF A REVENUE EARNER, DESPITE RECENT APPROVAL OF EXPORT LICENSE FOR ANOTHER COMPONENT.

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3. WHILE THE ROMANAISN NOW SEEM TO HAVE A GREATER APPRECIATION THAT THE PROBLEM WAS NOT OF OUR GOVERNMENT'S MAKING, THEY ARE CLEARLY LOOKING TO US--AND IN A DIRECT SENSE, TO YOU PERSONALLY--TO HELP FIND A SOLUTION. DEPUTY PRIME MINISTER PATAN, YOUR ROMANIAN COUNTERPART IN THE JOINT COMMISSION, HAS ADDRESSED AN URGENT APPEARL TO US ON POLITICAL AND PERSONAL GROUNDS. IN HIS VIEW, ROMCONTROL DATA IS A "SYMBOL" OF U.S. AND ROMANIAN DETERMINATION TO COOPERATE OVER THE LONG RUN IN ECONOMIC AFFAIRS. THE SUCCESS OF THE JOINT VENTURE THEREFORE TRANSCENDS ITS LIMITED CONTRIBUTION TO THE ROMANIAN ECONOMY. CONVERSELY, FAILURE OF THE COMPANY WOULD HAVE REPERCUSSIONS FOR OUR TRADE AS A WHOLE.

4. PATAN'S STAKE IN THE FUTURE OF THE ENTERPRISE IS ONE OF ACKNOWLEDGED SELF-INTEREST. HE HAS STATED TO US THAT HE CHAMPIONED THE CAUSE OF THE JOINT VENTURE WITH CDC IN THE FACE OF CONSIDERABLE INTERNAL DEBATE AND "CIVILIZED BUT SERIOUS" CRITICISM FROM NEIGHBORING SOCIALIST COUNTRIES TO THE EFFECT THAT SUCH A RELATIONSHIP WOULD ONLY PRODUCE GRIEF FOR ROMANIA. COLLAPSE OF THE JOINT VENTURE WILL ACCORDINGLY HAVE SERIOUS IMPLICATIONS NOT ONLY FOR OUR BILATERAL TRADE BUT FOR THE POSITION OF PATAN HIMSELF, ONE OF THE MOST OPEN AND PRAGMATIC OF ROMANIA'S SENIOR LEADERSHIP.

5. WE HAVE BEEN ASSURED BY PATAN THAT HE IS PREPARED TO BE FLEXIBLE IN THE INTEREST OF REACHING A COMPROMISE ACCEPTABLE TO BOTH GOVERNMENTS. GREATER FLEXIBILITY HAS IN FACT BEEN MANIFESTED IN THE DISCUSSIONS THAT ART DOWNEY AND RAUER MEYER (EXPORT CONTROL) HAVE HAD WITH ROMANIAN OFFICIALS. THE ROMANISN ARE CURRENTLY PREPARED TO FOREGO LOCAL MANUFACTURE OF WHAT WE UNDERSTAND TO BE THE TWO MOST SENSITIVE ELEMENTS IN FAVOR OF IMPORTATION FROM THE UNITED STATES; TO LIMIT THEIR MARKETING OF THE END PRODUCT TO ROMANIA AND NON-COMMUNIST COUNTRIES THROUGH AT LEAST 1977; AND TO ACCEPT WHATEVER SYSTEM OF END-USER IDENTIFICATION AND VERIFICATION WE DEVISE.

6. IN VIEW OF THE MOVEMENT ACHIVED DURING THE DOWNEY AND MEYER VISITS, I AM HOPEFUL THAT WE ARE CLOSE TO FINDING A BASIS FOR LICENSE APPROVAL. THE VISIT NEXT WEEK OF COMPUTER EXPERTS FROM DOD AND ERDA, TWO AGENCIES WHICH HAVE HAD SERIOUS RESERVATIONS ABOUT THE LICENSE APPLICATION, WILL CONFIRM WHETHER SUCH A BASIS EXISTS.

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7. ON THE ASSUMPTION THAT AN ACCEPTABLE FORMULA CAN BE FOUND, IT WOULD OBVIOUSLY BE MOST USEFUL IF YOU COULD CONVEY A POSITIVE RESPONSE TO PATAN DURING YOUR VISIT. I APPRECIATE THAT WE COULD NOT REALISTICALLY EXPECT COCOM APPROVAL AT THAT TIME. I WOULD, HOWEVER, HOPE THAT WITH YOUR PERSONAL INVOLVEMENT IT WILL BE

POSSIBLE TO INFORM PATAN OF AN AFFIRMATIVE US GOVERNMENT POSITION.

8. I WOULD NOT WANT TO EXAGGERATE THE IMPETUS THAT APPROVAL OF THE LICENSE WILL GIVE TO OUR BILATERAL TRADE OVER THE SHORT TERM. I AM CONFIDENT, HOWEVER, THAT ROMANIANS WILL INTERPRET OUR ACTION AS A SIGNIFICANT REAFFIRMATION OF THE PRIORITY WE ATTACH TO EXPANDED ECONOMIC RELATIONS AND WILL UNQUESTIONABLY CONTRIBUTE TO A MORE RECEPTIVE ROMANIAN ATTITUDE TOWARD LONGER TERM COOPERATION, PARTICULARLY AS WE PUT OUR ECONOMIC COOPERATION AGREEMENT INTO EFFECT.

9. I AM PERSUADED THAT THERE ARE THREE BASIC FACTORS WHICH SET THIS CASE APART FROM THE USUAL EXPORT LICENSING CASE AND WHICH WARRANT OUR MAKING AN EXTRAORDINARY EFFORT. FIRSTLY, THE FACT THAT THE LICENSE APPLICATION IS IN SUPPORT OF A JOINT VENTURE, ONE OF THE FEW WE HAVE IN THE REGION, ARGUES FOR MORE FAVORABLE CONSIDERATION THAN THAT WE WOULD ACCORD TO A SIMPLE EXPORT. OUR OBLIGATION TO OUR INVESTOR, DESPITE THAT INVESTOR'S RECORD OF LESS THAN TOTAL CANDOR IN THE PAST, SEEMS TO US TO BE THAT OF OFFERING MAXIMUM ASSISTANCE WITHOUT ENDANGERING OUR NATIONAL SECURITY

SECONDLY, WE HAVE AS A MATTER OF NATIONAL POLICY FAVORED ROMANIA OVER OTHER COUNTRIES IN THE REGION. APPROVAL OF AN EXPORT LICENSE IN THIS CASE WOULD CONSTITUTE A HIGHLY VISIBLE EXPRESSION OF THAT POLICY. THIRDLY, IN THE CONTEXT OF OUR SEPTEMBER TALK, APPROVAL WILL, IN MY VIEW, ALSO PRESERVE AND COULD WELL STRENGTHEN THE INFLUENCE OF THE CONSTRUCTIVE, PRAGMATIC VOICES IN THIS SOCIETY WHICH HAVE AN INTEREST IN ENHANCING ROMANIAN INDEPENDENCE THROUGH INCREASED TIES TO THE EST. THE STAKE SEEM THEREFORE SUFFICIENTLY HIGH TO ME TO WARRANT YOUR TAKING A PERSONAL INTEREST IN ORDER TO ENSURE THAT AN ACCEPTABLE SOLUTION IS FOUND.
BARNES

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